January 2007



Notes

The Newsletter of Kentucky's Affordable Prepaid Tuition

Federal Financial Aid Reporting Information

As of July 1, 2006, KAPT is treated as a parental asset on the Free Application for Federal Student Aid (FAFSA) if the parent is the account owner. You should report the total refund value of all KAPT accounts owned by you on the FAFSA. For purposes of FAFSA reporting, the refund value for KAPT accounts of beneficiaries entering or already attending college is the full payout value of the account (including earnings). For KAPT accounts of beneficiaries who have not yet reached their college enrollment year, the refund value is equal to contributions only.

To help you complete the FAFSA, we have provided the FAFSA reporting value on the enclosed annual statement. This information is also listed on the KAPT website. To access the information:

- Select the Account Access link at www.getkapt.com to sign into your KAPT account.
- · Click on "Benefits Information."
- Select the option to view information on completing the FAFSA.

You may also request the FAFSA reporting value of your account(s) by calling customer service at 1-888-919-5278, option 2.

Your contract benefits continue to be excluded in determining the amount of Kentucky state student aid your beneficiary will receive. You should contact the school financial aid office to determine the impact your KAPT contract may have on eligibility for other types of financial aid.

nancial aid. KAPT Federal Tax Treatment Made Permanent! Fiscal Year 2006 Actuarial Study Completed

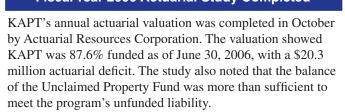
On August 17, 2006, the federal income tax exemption for KAPT and all other Section 529 plans was made permanent when the Pension Protection Act of 2006 was signed into law.

In 2001, federal legislation passed providing certain federal tax benefits to Section 529 plans; however, these benefits were set to expire on December 31, 2010. The passage of the Pension Protection Act means that withdrawals from Section 529 plans for qualified educational expenses after December 31, 2010, will continue to be tax exempt.

KAPT Receives Clean Audit Opinion

KAPT received an unqualified "clean" audit opinion by Strothman & Company PSC as a result of the program's annual audit for Fiscal Year 2006.

The audited financial statements are available under the Reports section at www.getkapt.com or by request at 1-888-919-KAPT, option 2.



The full actuarial report is available under the Reports section at www.getkapt.com or by request at 1-888-919-KAPT, option 2.

KAPT Enrollment Suspension Continues

At its November 30, 2006, meeting the KAPT Board of Directors voted unanimously to continue the KAPT enrollment suspension and to reassess enrollment on an annual basis. The board decided not to open enrollment at this time because of rising tuition costs, the actuarial position of the program, and the costs and risks that would be borne by new enrollees.





KAPT Annual Statements

Your KAPT newsletter is included in this mailing of your KAPT annual statement. The annual statement is provided after December 31 each year to all KAPT account owners with active accounts. If you have any questions regarding your annual statement, please call 1-888-919-KAPT and press option 2.

1099-Q Forms

If any distributions were made from your KAPT account during 2006, an IRS Form 1099-Q will be issued for your account. If the distribution was made directly to the beneficiary or to a school, the 1099-Q will be sent to the beneficiary; all other 1099-Qs will be sent to the account owner. Forms and additional information will be mailed by January 31, 2007.

KAPT Online Account Access Available

You can view your KAPT accounts online with secure, 24hour online access.

You can check your current account status and recent financial transactions, update your and your beneficiary's mailing and e-mail addresses, calculate an early payoff on your KAPT account, notify KAPT of your beneficiary's intent to use KAPT benefits at an out-of-state institution, and track tuition payments made to schools on behalf of a student.

Check out your account(s) at www.getKAPT.com by selecting the Account Access link from the KAPT home page. You will need your KAPT account number and Social Security number to get started. If you have multiple KAPT accounts, you may use any of your KAPT account numbers to login.

If you have any questions, please call us toll free at 1-888-919-5278, and press option 2.

2007 Board Meeting Schedule

Per Kentucky statute, the Kentucky Higher Education Assistance Authority (KHEAA) Board of Directors also serves as the KAPT Board of Directors. This group also serves as the board of KHEAA's sister agency, the Kentucky Higher Education Student Loan Corporation.

In 2007, meetings are scheduled in February, May, August and November. The meeting schedule is available on the News page at www.getkapt.com. All meetings are open to the public.

Using KAPT Benefits in 2007

If your KAPT beneficiary will be entering college in the fall of 2007, please take note of the following:

- Your KAPT account must be paid in full, including all outstanding fees, before your benefits can be used.
- In April, you will receive a benefit usage packet that will provide detailed information and instructions on applying for and using your KAPT benefits.

If your beneficiary is already using KAPT benefits, you can print a Billing Authorization Form and other benefit use forms and view updated payout value information on www. getKAPT.com. Remember that you should submit a Billing Authorization Form to the school each semester you want the school to invoice KAPT for tuition and fees.

If you have any questions about using KAPT benefits, please call 1-888-919-KAPT and press option 2 or see the Using Benefits section at www.getKAPT.com.



How to Contact Us

Toll-free Phone: 888-919-KAPT

Send Payments To: **KAPT**

P.O. Box 633016

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Mail Letters/Forms To: KAPT

KHEAA

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Frankfort, KY 40602-0798

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